

Message Text

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PAGE 01 CALGAR 00255 032255Z
ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 FEA-01 ERDA-07 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 FPC-01 H-02 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15
OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-10 /117 W
-----032300Z 062987 /12

P 032100Z JUN 77
FM AMCONSUL CALGARY
TO SECSTATE WASHDC PRIORITY 2049
INFO AMEMBASSY OTTAWA PRIORITY
AMCONSUL VANCOUVER

UNCLAS CALGARY 0255

E.O. 11652: N/A
TAGS: ENRG, CA
SUBJ: KITIMAT OIL PIPE LINE APPLICATION DEFERRED

1. KITIMAT PIPE LINE LTD. HAS FILED A LETTER WITH THE NATIONAL ENERGY BOARD REQUESTING THAT HEARINGS ON ITS PIPE-LINE APPLICATION BE HELD IN ABEYANCE UNTIL SUCH TIME AS THE BOARD HAS CONSIDERED TRANSMOUNTAIN'S PROPOSAL FOR SHIPPING ALASKAN CRUDE TO THE U.S. BY REVERSING THE FLOW ON THE TRANSMOUNTAIN (EDMONTON TO CHERRY POINT) PIPELINE. LETTER STATES THAT KITIMAT GROUP ENDORSES TRANSMOUNTAIN'S APPLICATION SINCE IT MEETS THE KITIMAT PARTICIPANTS' PRIMARY OBJECTIVE BY DELIVERING OFFSHORE CRUDE OIL FROM THE WEST COAST TO THE EDMONTON INTERPROVINCIAL PIPELINE TO MEET DEMAND OF U.S. NORTHERN TIER REFINERS AND ANTICIPATED CANADIAN REQUIREMENTS. LETTER NOTES IN CLOSING THAT KITIMAT GROUP WILL COMPLETE ITS ONGOING STUDIES AND CONTINUE TO MAINTAIN AN OFFICE IN VANCOUVER.

2. ACCORDING TO INDUSTRY SOURCES IN CALGARY, KITIMAT GROUP HAD NOT ANTICIPATED ANGRY REACTION OF ENVIRONMENTALISTS, INDIANS, AND FISHERMEN AND CONCLUDED THAT IT DID NOT WISH
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TO CONTINUE TO BE IN THE FOREFRONT OF THE SOON TO BE CONDUCTED KITIMAT PIPELINE INQUIRY. INQUIRY COMMISSIONER IS DR. ANDREW THOMPSON, FORMER CHAIRMAN OF B.C. ENERGY COMMISSION UNDER NDP GOVERNMENT; LOCAL OIL EXECUTIVES ASSERT THAT THOMPSON'S FINDINGS ARE LIKELY TO BE "AS BAD AS THE BERGER REPORT". THERE IS SPECULATION HERE THAT TRANSMOUNTAIN PROPOSAL WILL DRAW FULL FIRE OF B.C. ENRIRONMEN-

TALISTS AND FAIL TO WIN NECESSARY GOVERNMENTAL AND REGULATORY AGENCY APPROVAL. UNDER THIS CIRCUMSTANCE, TRANSMOUNTAIN PROJECT WOULD HAVE SERVED AS STALKING HORSE AND KITIMAT PIPELINE WOULD AGAIN STAND OUT AS THE BEST AVAILABLE WEST COAST OIL PIPELINE OPTION.

3. WELL PLACED HUDSON'S BAY OIL COMPANY OFFICIAL TOLD CONGEN THAT THE KITIMAT OIL PIPELINE PROPOSAL WAS NOT DEAD. TRANSMOUNTAIN PROPOSAL WAS ONLY SHORT TERM SOLUTION TO PROBLEM OF SUPPLYING NORTHERN TIER AND CANADIAN REFINERS SINCE TRANSMOUNTAIN THROUGHPUT WOULD PROBABLY BE LIMITED TO ABOUT 300 THOUSAND BARRELS A DAY. HUDSON'S BAY EXECUTIVE STATED THAT THERE WOULD BE SIGNIFICANT OPPOSITION TO INCREASED TANKER TRAFFIC IN THE VANCOUVER AREA, AND IF THIS PROVED TO BE STUMBLING BLOCK, KITIMAT PIPELINE WOULD AGAIN BE VERY MUCH IN THE RUNNING.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, ENVIRONMENT, PETROLEUM PIPELINES
Control Number: n/a
Copy: SINGLE
Sent Date: 03-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CALGAR00255
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770199-0150
Format: TEL
From: CALGARY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770695/aaaadest.tel
Line Count: 79
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 536dc785-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 20-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2293790
Secure: OPEN
Status: NATIVE
Subject: KITIMAT OIL PIPE LINE APPLICATION DEFERRED
TAGS: ENRG, CA, US, KITIMAT
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/536dc785-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009